

# **CITY OF GLADBROOK**

**Independent Auditors' Reports  
Basic Financial Statements  
Supplementary and Other Information  
Schedule of Findings**

**June 30, 2015**

# CITY OF GLADBROOK

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## CITY OF GLADBROOK

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Keith Sash	Mayor	Jan 2016
Roger Luehring	Mayor Pro Tem	Jan 2018
Dan DeWitt (resigned August, 2014))	Council Member	Jan 2016
Scott Schmidt (appointed August 2014)	Council Member	Jan 2016
Trudi Scott	Council Member	Jan 2016
Ben Goos	Council Member	Jan 2018
Betty Dahms	Council Member	Jan 2018
Lori Bearden	Clerk/Treasurer	Indefinite
John Livingston	Attorney	Indefinite



C E R T I F I E D   ♦   P U B L I C   ♦   A C C O U N T A N T S

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Independent Auditors' Report

To the Honorable Mayor and  
Members of the City Council:

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Gladbrook, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Gladbrook, as of June 30, 2015, and the respective changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

## **Basis of Accounting**

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

## **Emphasis of a Matter**

As disclosed in Note 4 to the financial statements, the City of Gladbrook adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gladbrook's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the City's Management's Discussion and Analysis, the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 5 through 10 and 25 through 32, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated August 27, 2015 on our consideration of the City of Gladbrook's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Gladbrook's internal control over financial reporting and compliance.

*Bowman and Miller, P.C.*

Marshalltown, Iowa  
August 27, 2015

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City of Gladbrook provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2015 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities increased 152%, or approximately \$930,800, from fiscal year 2014 to fiscal year 2015. Loan proceeds increased approximately \$395,000 and capital grants, contributions and restricted interest increased approximately \$535,000.
- Disbursements increased 189%, or approximately \$1,112,000, in fiscal year 2015 from fiscal year 2014 in the governmental activities. Capital projects increased approximately \$857,000, debt service increased approximately \$227,000 and public works increased approximately \$59,000.
- The City's total cash basis net position decreased 8.5% or approximately \$131,000 from June 30, 2014 to June 30, 2015. Of this amount, the cash basis net position of the governmental activities decreased approximately \$137,000 and the cash basis net position of the business type activities increased by approximately \$5,500.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases and decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, sanitary sewer system, the City Center movie theater and Matchstick Marvels museum and the Gladbrook Fitness Center. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the water and sewer funds, for the operation of the City's movie theater and Matchstick Marvels museum and for the operation of the Gladbrook Fitness Center. These funds are considered to be major funds of the City.



The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from \$882,588 to \$746,014. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year Ended June 30,	
	2015	2014
Receipts:		
Program Receipts:		
Charges for service	\$ 43,261	34,860
Operating grants, contributions and restricted interest	149,841	153,158
Capital grants, contributions and restricted interest	577,748	42,486
General Receipts:		
Property tax	296,588	304,271
Local option sales tax	60,272	59,211
Franchise tax	5,915	5,732
Unrestricted interest on investments	422	897
Loan proceeds	400,000	5,000
Other general receipts	8,471	6,112
Total receipts	<u>1,542,518</u>	<u>611,727</u>
Disbursements:		
Public safety	135,657	139,557
Public works	160,378	100,953
Health and social services	1,276	673
Culture and recreation	50,185	57,042
Community and economic development	2,934	16,884
General government	72,125	79,415
Debt service	320,861	93,725
Capital projects	956,781	100,012
Total disbursements	<u>1,700,197</u>	<u>588,261</u>
Change in cash basis net position before transfers	(157,679)	23,466
Transfers, net	<u>21,105</u>	<u>(9,867)</u>
Change in cash basis net position	(136,574)	13,599
Cash basis net position beginning of year	<u>882,588</u>	<u>868,989</u>
Cash basis net position end of year	<u>\$ 746,014</u>	<u>882,588</u>

The City's total receipts for governmental activities increased by 152% or approximately \$930,800. The total cost of all programs and services increased by approximately \$1,112,000, or 189%, with no new programs added.

The increase in receipts was primarily the result of contributions and loan proceeds received for construction of the new fire and ambulance building. The City received \$572,122 in contributions and \$400,000 in capital loan note proceeds in fiscal year 2015 for this project. These amounts were reflected in the capital grants and contributions and loan proceeds.

The cost of all governmental activities this year was approximately \$1,700,000 compared to approximately \$588,000 last year. However, as shown on the Statement of Activities and Net Position on pages 11-12, the amount taxpayers ultimately financed for these activities was approximately \$929,000 because some of the cost was paid by those directly benefited from the programs (\$43,261) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$727,589). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, increased in 2015 from approximately \$230,500 to approximately \$771,000. The City paid for the remaining "public benefit" portion of governmental activities (\$929,000) with taxes (some of which could only be used for certain programs) and with other receipts, such as interest and loan proceeds.

Changes in Cash Basis Net Position of Business Type Activities			
		Year Ended June 30,	
		2015	2014
Receipts:			
Program Receipts:			
Charges for service:			
Water	\$	160,995	172,987
Sewer		130,893	133,927
Concessions and admissions		120,194	115,114
Memberships		34,519	36,203
General Receipts:			
Unrestricted interest on investments		2,991	428
Contributions		7,112	5,074
Land rent		2,000	2,000
Total receipts		<u>458,704</u>	<u>465,733</u>
Disbursements:			
Water		169,850	179,986
Sewer		112,866	124,028
City center		115,345	116,603
Fitness center		34,029	59,912
Total disbursements		<u>432,090</u>	<u>480,529</u>
Change in cash basis net position before transfers		26,614	(14,796)
Transfers, net		<u>(21,105)</u>	<u>9,867</u>
Change in cash basis net position		5,509	(4,929)
Cash basis net position beginning of year		<u>650,922</u>	<u>655,851</u>
Cash basis net position end of year	\$	<u><u>656,431</u></u>	<u><u>650,922</u></u>

Total business type activities receipts for the fiscal year were approximately \$459,000 compared to approximately \$466,000 last year. Total disbursements for the fiscal year decreased 10% to approximately \$432,000.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Gladbrook completed the year, its governmental funds reported a combined fund balance of \$746,014, a decrease of \$136,574 from last year's total of \$882,588. The following are the major reasons for the changes in fund balance of the major funds from the prior year.

- The General Fund cash balance decreased \$154,151 from the prior year to \$538,827. The decrease is due to transferring funds to capital projects to fund the construction of the new fire and ambulance building.
- The Special Revenue, Road Use Tax Fund cash balance increased by \$16,059 to \$103,165 during the fiscal year. The increase was primarily due to an increase in road use tax money received.
- The Debt Service Fund cash balance remained approximately the same from fiscal year 2014. This fund is used to pay off general obligation bonds and notes. In 2015, the City transferred funds from the Capital Projects Fund to pay a portion of the debt.
- The Capital Projects Fund was used to account for the construction of a new fire and ambulance building. This project was completed in fiscal year 2015.

## **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Enterprise, Water Fund cash balance decreased \$15,996 to \$242,053, due primarily to a decrease in water usage.
- The Enterprise, Sewer Fund cash balance remained virtually unchanged from the prior fiscal year.
- The Enterprise, City Center cash balance increased \$9,572 to \$11,986 due primarily to an increase in gate fees and concession revenue.
- The Enterprise, Fitness Center cash balance increased \$4,910 to \$78,005 due primarily to a decrease in operating expenses.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended their budget once. The amendment was approved on May 19, 2015 and resulted in an increase in operating disbursements of \$770,313. The amendment was made to provide for additional disbursements in certain City departments, including the construction costs for the new fire and ambulance building and payment of principal and interest on a capital loan note.

The City exceeded the amount budgeted in the capital projects function before the amendment was approved.

## DEBT ADMINISTRATION

At June 30, 2015, the City had \$1,238,000 in bonds and other long-term debt, compared to \$1,196,000 last year, as shown below.

Outstanding Debt at Year-End		
	June 30,	
	2015	2014
General obligation notes	\$ 345,000	260,000
Revenue notes	893,000	936,000
Total	\$ 1,238,000	1,196,000

Debt increased as a result of the issuance of general obligation capital loan notes for the construction of the new fire and ambulance building.

The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The city's outstanding general obligation debt of \$345,000 is below its constitutional debt limit of \$1,873,709. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Gladbrook's elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 budget, tax rates, and fees that will be charged for various City activities.

The City completed construction in fiscal year 2015 on a new \$1,035,000 fire and ambulance building. The City had committed \$333,000 to the project with the remaining cost of the project paid for through contributions. In fiscal year 2016 the City plans on replacing the Grand Street Bridge at an estimated cost of \$380,000 with \$76,000 being contributed by the City and \$304,000 being funded through the federal bridge replacement program. The City is also anticipating beginning a lagoon UV sanitation upgrade project in fiscal year 2016 with a projected cost of \$1,400,000. The City is approved for a \$347,000 Community Development Block Grant and a State Revolving loan to fund this project.

The City's property tax base increased slightly for fiscal year 2016 and property tax rates remained virtually unchanged from fiscal year 2015.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lori Bearden, City Clerk, at 319 2<sup>nd</sup> Street, Gladbrook, Iowa 50635.

**CITY OF GLADBROOK**  
**Cash Basis Statement of Activities and Net Position**  
**As of and for the year ended June 30, 2015**

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 135,657	36,502	40,453	-
Public works	160,378	456	98,263	5,626
Health and social services	1,276	-	-	-
Culture and recreation	50,185	4,529	10,170	-
Community and economic development	2,934	-	955	-
General government	72,125	1,774	-	-
Debt service	320,861	-	-	-
Capital projects	956,781	-	-	572,122
Total governmental activities	1,700,197	43,261	149,841	577,748
Business type activities:				
Water	169,850	160,995	379	-
Sewer	112,866	130,893	2,581	-
City center	115,345	120,194	4,723	-
Fitness center	34,029	34,519	4,420	-
Total business type activities	432,090	446,601	12,103	-
Total	\$ 2,132,287	489,862	161,944	577,748
<b>General Receipts and Transfers:</b>				
Property and other city tax levied for:				
General purposes				
Debt service				
Local option sales tax				
Franchise tax				
Unrestricted interest on investments				
Loan proceeds				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
<b>Cash Basis Net Position</b>				
Restricted:				
Expendable:				
Streets				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
(58,702)	-	(58,702)
(56,033)	-	(56,033)
(1,276)	-	(1,276)
(35,486)	-	(35,486)
(1,979)	-	(1,979)
(70,351)	-	(70,351)
(320,861)	-	(320,861)
(384,659)	-	(384,659)
(929,347)	-	(929,347)
-	(8,476)	(8,476)
-	20,608	20,608
-	9,572	9,572
-	4,910	4,910
-	26,614	26,614
(929,347)	26,614	(902,733)
255,893	-	255,893
40,695	-	40,695
60,272	-	60,272
5,915	-	5,915
422	-	422
400,000	-	400,000
8,471	-	8,471
21,105	(21,105)	-
792,773	(21,105)	771,668
(136,574)	5,509	(131,065)
882,588	650,922	1,533,510
\$ 746,014	656,431	1,402,445
\$ 103,165	-	103,165
882	67,740	68,622
103,140	-	103,140
538,827	588,691	1,127,518
\$ 746,014	656,431	1,402,445

**CITY OF GLADBROOK**  
**Statement of Cash Receipts, Disbursements and**  
**Changes in Cash Balances**  
**Governmental Funds**  
**As of and for the year ended June 30, 2015**

	Special Revenue		
	General	Road Use Tax	Capital Projects
<b>Receipts:</b>			
Property tax	\$ 213,513	-	-
Other city tax	5,450	-	-
Intergovernmental	49,528	98,263	-
Licenses and permits	480	456	-
Charges for service	41,030	-	-
Use of money and property	1,006	-	-
Special assessments	280	5,346	-
Miscellaneous	13,177	-	572,122
Total receipts	324,464	104,065	572,122
<b>Disbursements:</b>			
Operating:			
Public safety	135,657	-	-
Public works	55,895	104,483	-
Health and social services	1,276	-	-
Culture and recreation	47,928	-	-
Community and economic and development	2,934	-	-
General government	72,125	-	-
Debt service	-	-	-
Capital projects	-	-	956,781
Total disbursements	315,815	104,483	956,781
Excess (deficiency) of receipts over (under) disbursements	8,649	(418)	(384,659)
<b>Other financing sources (uses):</b>			
Loan proceeds	-	-	400,000
Operating transfers in	93,725	16,477	262,344
Operating transfers out	(256,525)	-	(279,025)
Total other financing sources (uses)	(162,800)	16,477	383,319
Change in cash balances	(154,151)	16,059	(1,340)
Cash balances beginning of year	692,978	87,106	85,034
Cash balances end of year	\$ 538,827	103,165	83,694
<b>Cash Basis Fund Balances</b>			
Restricted for:			
Streets	\$ -	103,165	-
Debt service	-	-	-
Other purposes	-	-	83,694
Assigned for:			
Fire equipment	120,572	-	-
Ambulance	109,219	-	-
Museum	1,399	-	-
Recreational trust	2,565	-	-
Unassigned	305,072	-	-
Total cash basis fund balances	\$ 538,827	103,165	83,694

See notes to financial statements.

Debt Service	Nonmajor	Total
39,685	36,010	289,208
1,010	61,192	67,652
-	1,343	149,134
-	-	936
-	-	41,030
-	122	1,128
-	-	5,626
-	2,505	587,804
40,695	101,172	1,142,518

-	-	135,657
-	-	160,378
-	-	1,276
-	2,257	50,185
-	-	2,934
-	-	72,125
320,861	-	320,861
-	-	956,781
320,861	2,257	1,700,197
(280,166)	98,915	(557,679)

-	-	400,000
281,048	450	654,044
-	(97,389)	(632,939)
281,048	(96,939)	421,105
882	1,976	(136,574)
-	17,470	882,588
882	19,446	746,014

-	-	103,165
882	-	882
-	19,446	103,140
-	-	120,572
-	-	109,219
-	-	1,399
-	-	2,565
-	-	305,072
882	19,446	746,014



**CITY OF GLADBROOK**  
**Statement of Cash Receipts, Disbursements**  
**and Changes in Cash Balances**  
**Proprietary Funds**  
**As of and for the year ended June 30, 2015**

	Enterprise				
	Water	Sewer	City Center	Fitness Center	Total
Operating receipts:					
Charges for service	\$ 160,995	130,893	120,194	34,519	446,601
Total operating receipts	160,995	130,893	120,194	34,519	446,601
Operating disbursements:					
Business type activities	127,572	84,558	115,345	34,029	361,504
Total operating disbursements	127,572	84,558	115,345	34,029	361,504
Excess of operating receipts over operating disbursements	33,423	46,335	4,849	490	85,097
Non-operating receipts (disbursements):					
Contributions	-	-	2,946	4,166	7,112
Interest on investments	379	581	1,777	254	2,991
Land rent	-	2,000	-	-	2,000
Debt service	(42,278)	(28,308)	-	-	(70,586)
Net non-operating receipts (disbursements)	(41,899)	(25,727)	4,723	4,420	(58,483)
Excess (deficiency) of receipts over (under) disbursements	(8,476)	20,608	9,572	4,910	26,614
Other financing sources (uses):					
Transfers in	-	1,535	-	-	1,535
Transfers out	(7,520)	(15,120)	-	-	(22,640)
Total other financing sources (uses)	(7,520)	(13,585)	-	-	(21,105)
Change in cash balances	(15,996)	7,023	9,572	4,910	5,509
Cash balances beginning of year	258,049	317,364	2,414	73,095	650,922
Cash balances end of year	\$ 242,053	324,387	11,986	78,005	656,431
<b>Cash Basis Fund Balances</b>					
Restricted for debt service	\$ 39,870	27,870	-	-	67,740
Unrestricted	202,183	296,517	11,986	78,005	588,691
Total cash basis fund balances	\$ 242,053	324,387	11,986	78,005	656,431

# **CITY OF GLADBROOK**

## **Notes to Financial Statements**

### **June 30, 2015**

#### **Note 1 – Summary of Significant Accounting Policies**

The City of Gladbrook is a political subdivision of the State of Iowa located in Tama County. It was first incorporated in 1880 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

#### **A. Reporting Entity**

For financial reporting purposes, the City of Gladbrook has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City of Gladbrook has no component units which meet the Governmental Accounting Standards Board criteria.

#### **Jointly Governed Organizations**

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Tama County Assessor's Conference Board, Tama County Emergency Management Commission, Tama County Solid Waste Disposal Commission, Tama County Joint E911 Service Board, Region Six Planning Commission and Tama County Economic Development Board.

#### **B. Basis of Presentation**

Government-wide Financial Statement – The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City.

**CITY OF GLADBROOK**  
**Notes to Financial Statements (Continued)**  
**June 30, 2015**

Note 1 – Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

**CITY OF GLADBROOK**  
**Notes to Financial Statements (Continued)**  
**June 30, 2015**

Note 1 – Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, City Center Fund accounts for the operation and maintenance of the City's movie theater and Matchstick Marvels museum.

The Enterprise, Fitness Center Fund accounts for the operation and maintenance of the City's fitness center.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

**CITY OF GLADBROOK**  
**Notes to Financial Statements (Continued)**  
**June 30, 2015**

Note 1 – Summary of Significant Accounting Policies (continued)

D. Governmental Cash Basis Fund Balances (continued)

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal law or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements exceed the amounts budgeted in the capital projects function.

Note 2 – Cash and Pooled Investments

The City's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

# CITY OF GLADBROOK

## Notes to Financial Statements (Continued)

### June 30, 2015

#### Note 3 – Notes Payable

Annual debt service requirements to maturity for a sewer revenue capital loan note, a rural economic development loan, a water revenue capital loan note and a general obligation capital loan note are as follows:

Year Ending June 30,	Sewer Revenue Capital Loan Note		Rural Economic Development Loan		Water Revenue Capital Loan Note		General Obligation Capital Loan Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 25,000	2,870	40,000	-	18,000	21,870	62,500	2,734	145,500	27,474
2017	26,000	2,433	40,000	-	19,000	21,330	62,500	1,172	147,500	24,935
2018	27,000	1,978	40,000	-	19,000	20,760	-	-	86,000	22,738
2019	28,000	1,505	40,000	-	20,000	20,190	-	-	88,000	21,695
2020-2024	58,000	1,523	60,000	-	111,000	91,530	-	-	229,000	93,053
2025-2029	-	-	-	-	130,000	73,800	-	-	130,000	73,800
2030-2034	-	-	-	-	152,000	52,890	-	-	152,000	52,890
2035-2039	-	-	-	-	180,000	28,500	-	-	180,000	28,500
2040-2041	-	-	-	-	80,000	3,630	-	-	80,000	3,630
Total	\$ 164,000	10,309	220,000	-	729,000	334,500	125,000	3,906	1,238,000	348,715

The City has pledged future sewer and water customer receipts, net of specified operating disbursements, to repay \$164,000 of a sewer revenue note and \$729,000 of a water revenue note. Proceeds from the notes provided a new sanitary sewer system and a new water tower and water main lines. The notes are payable solely from customer net receipts and are payable through 2041.

#### Note 4 – Pension Plan

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

**CITY OF GLADBROOK**  
**Notes to Financial Statements (Continued)**  
**June 30, 2015**

**Note 4 – Pension Plan (continued)**

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

Protection occupation members may retire at normal retirement age which is generally at age 55. Protection occupation members may retire anytime after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate protection occupation members' monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 2 but not more than 30 years of service
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

**Disability and Death Benefits** – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

**Contributions** – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

**CITY OF GLADBROOK**  
**Notes to Financial Statements (Continued)**  
**June 30, 2015**

**Note 4 – Pension Plan (continued)**

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent. Protection occupation members contributed 6.76 percent of pay and the City contributed 10.14 percent for a total rate of 16.90 percent.

The City's contributions to IPERS for the year ended June 30, 2015 were \$12,114.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resource Related to Pensions – At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$77,794. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers.

At June 30, 2014, the City's proportion for the regular membership group and the protection occupation membership group was 0.001927 percent and .000257 percent, respectively, which was a decrease of 0.000088 for the regular membership group and .000068 for the protection occupation membership group from their proportions measured as of June 30, 2013.

For the year ended June 30, 2015 the City's collective pension expense, collective deferred outflows and collective deferred inflows totaled \$5,856, \$4,290 and \$29,961 respectively.

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent
Salary increases (effective June 30, 2014)	4.00 percent, average, including inflation
Investment rate of return (effective June 30, 2014)	7.50 percent per annum, compounded annually, net of pension plan investment expense, including inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:



**CITY OF GLADBROOK**  
**Notes to Financial Statements (Continued)**  
**June 30, 2015**

**Note 4 – Pension Plan (continued)**

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23 %	6.31
Non Us Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100 %</u>	

**Discount Rate** – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's proportionate share of the net pension liability:			
Regular	\$ 147,368	\$ 77,994	\$ 19,436
Protection occupation	212	(201)	(549)

**Pension Plan Fiduciary Net Position** – Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

**CITY OF GLADBROOK**  
**Notes to Financial Statements (Continued)**  
**June 30, 2015**

**Note 5 – Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payments payable to employees at June 30, 2015 was \$3,757, primarily relating to the General Fund. This liability has been computed based on rates of pay in effect at June 30, 2015.

**Note 6 – Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	\$ 187
	Capital Projects	279,025
	General	1,836
		<u>281,048</u>
General	Special Revenue:	
	Local Option Sales Tax	60,272
	Emergency Services	6,199
	Employee Benefits	27,254
		<u>93,725</u>
Special Revenue:	Special Revenue:	
Road Use Tax	Employee Benefits	3,477
	General	13,000
		<u>16,477</u>
Capital Projects	Enterprise:	
	Water	7,520
	Sewer	15,120
	General	239,704
		<u>262,344</u>
Enterprise:	General	
Sewer		1,535
Library Trust	General	450
		<u>450</u>
Total		<u><u>\$ 655,579</u></u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**CITY OF GLADBROOK**  
**Notes to Financial Statements (Continued)**  
**June 30, 2015**

**Note 7 – Risk Management**

The City of Gladbrook is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Note 8 – Related Party Transactions**

The City had business transactions between the City and City officials totaling \$33,040 during the year ended June 30, 2015.

**Note 9 – Date of Management Evaluation**

The City has evaluated subsequent events through August 27, 2015, the date which financial statements were available to be issued.

## APPENDIX A

The following information is provided for the purpose of providing a general overview of the information contained in this report. It is not intended to be a substitute for the full report, which is available for review at the National Archives and Records Administration (NARA) website at <http://www.nara.gov>.

### Other Information

**CITY OF GLADBROOK**  
**Budgetary Comparison Schedule of Receipts, Disbursements,**  
**and Changes in Balances-Budget and Actual (Cash Basis)**  
**All Governmental Funds and Proprietary Funds**  
**Other Information**  
**Year ended June 30, 2015**

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 289,208	-
Other city tax	67,652	-
Intergovernmental	149,134	-
Licenses and permits	936	-
Charges for service	41,030	446,601
Use of money and property	1,128	4,991
Special assessments	5,626	-
Miscellaneous	587,804	7,112
Total receipts	<u>1,142,518</u>	<u>458,704</u>
Disbursements:		
Public safety	135,657	-
Public works	160,378	-
Health and social services	1,276	-
Culture and recreation	50,185	-
Community and economic development	2,934	-
General government	72,125	-
Debt service	320,861	-
Capital projects	956,781	-
Business type activities	-	432,090
Total disbursements	<u>1,700,197</u>	<u>432,090</u>
Excess (deficiency) of receipts over (under) disbursements	(557,679)	26,614
Other financing sources, net	<u>421,105</u>	<u>(21,105)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(136,574)	5,509
Balances beginning of year	<u>882,588</u>	<u>650,922</u>
Balances end of year	<u><u>\$ 746,014</u></u>	<u><u>656,431</u></u>

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
289,208	285,262	285,262	3,946
67,652	62,274	64,274	3,378
149,134	340,886	139,386	9,748
936	1,400	1,400	(464)
487,631	466,192	489,092	(1,461)
6,119	4,080	4,080	2,039
5,626	-	5,300	326
594,916	181,500	541,788	53,128
1,601,222	1,341,594	1,530,582	70,640
135,657	161,689	161,689	(26,032)
160,378	144,925	175,025	(14,647)
1,276	1,466	1,466	(190)
50,185	54,941	59,036	(8,851)
2,934	13,000	7,500	(4,566)
72,125	74,253	79,151	(7,026)
320,861	40,000	321,000	(139)
956,781	500,000	1,047,500	(90,719)
432,090	617,507	525,727	(93,637)
2,132,287	1,607,781	2,378,094	(245,807)
(531,065)	(266,187)	(847,512)	316,447
400,000	-	450,000	(50,000)
(131,065)	(266,187)	(397,512)	266,447
1,533,510	1,281,984	1,533,510	-
1,402,445	1,015,797	1,135,998	266,447

# **CITY OF GLADBROOK**

## **Notes to Other Information – Budgetary Reporting**

### **June 30, 2015**

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$770,313. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the capital projects function.

**CITY OF GLADBROOK**  
**Schedule of the City's Proportionate Share of the Net Pension Liability**  
**Iowa Public Employees' Retirement System**  
**Last Fiscal Year\***  
**Other Information**

	<u>2015</u>
City's proportion of the net pension liability (asset)	
Regular	0.001927 %
Protective occupation	0.000257
City's proportionate share of the net pension liability (asset)	
Regular	\$ 77,994
Protective occupation	(201)
City's covered-employee payroll	
Regular	\$ 128,688
Protective occupation	823
City's proportionate share of the net pension liability as a percentage of it covered-employee payroll	
Regular	60.61 %
Protective occupation	(24.42)
Plan fiduciary net position as a percentage of the total pension liability	87.61 %

\* The amounts presented for each fiscal year were determined as of June 30.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.



**CITY OF GLADBROOK**  
**Schedule of City Contributions**  
**Iowa Public Employees' Retirement System**  
**Last 10 Fiscal Years**  
**Other Information**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Statutorily required contribution	\$ 12,114	11,575	11,383	10,784	9,233
Contributions in relation to the statutorily required contribution	<u>(12,114)</u>	<u>(11,575)</u>	<u>(11,383)</u>	<u>(10,784)</u>	<u>(9,233)</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	\$ 135,577	129,511	131,340	133,409	132,372
Contributions as a percentage of covered-employee payroll	8.93%	8.94%	8.67%	8.08%	6.97%

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
9,041	8,101	7,251	6,660	5,770
<u>(9,041)</u>	<u>(8,101)</u>	<u>(7,251)</u>	<u>(6,660)</u>	<u>(5,770)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
135,973	127,658	119,852	115,827	100,354
6.65%	6.35%	6.05%	5.75%	5.75%

# **CITY OF GLADBROOK**

## **Notes to Other Information – Pension Liability**

### **Year Ended June 30, 2015**

#### *Changes of benefit terms:*

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

#### *Changes of assumptions:*

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

**CITY OF GLADBROOK**  
**Notes to Other Information – Pension Liability (Continued)**  
**Year Ended June 30, 2015**

The 2006 valuation implemented the following refinements as a result of the quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

## Supplementary Information

**CITY OF GLADBROOK**  
**Schedule of Cash Receipts, Disbursements and**  
**Changes in Cash Balances**  
**Nonmajor Governmental Funds**  
**As of and for the year ended June 30, 2015**

	Special Revenue		
	Urban Renewal Tax Increment	Employee Benefits	Local Option Sales Tax
Receipts:			
Property tax	\$ -	29,965	-
Other city tax	-	766	60,272
Intergovernmental	-	-	-
Use of money and property	-	-	-
Miscellaneous	-	-	-
Total receipts	-	30,731	60,272
Disbursements:			
Operating:			
Culture and recreation	-	-	-
Total disbursements	-	-	-
Excess of receipts over disbursements	-	30,731	60,272
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	(187)	(30,731)	(60,272)
Total other financing sources (uses)	(187)	(30,731)	(60,272)
Change in cash balance	(187)	-	-
Cash balances beginning of year	187	-	-
Cash balances end of year	\$ -	-	-
<b>Cash Basis Fund Balances</b>			
Restricted for other purposes	\$ -	-	-
Total cash basis fund balances	\$ -	-	-

Emergency Services	Library	Total
6,045	-	36,010
154	-	61,192
-	1,343	1,343
-	122	122
-	2,505	2,505
6,199	3,970	101,172
-	2,257	2,257
-	2,257	2,257
6,199	1,713	98,915
-	450	450
(6,199)	-	(97,389)
(6,199)	450	(96,939)
-	2,163	1,976
-	17,283	17,470
-	19,446	19,446
-	19,446	19,446
-	19,446	19,446

**CITY OF GLADBROOK**  
**Schedule of Indebtedness**  
**Year ended June 30, 2015**

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Fire and ambulance building	Oct 31, 2014	2.50 %	\$ 400,000
Rural Economic Development loan	Nov 22, 2010	0.00	360,000
Water revenue capital loan note:			
Water improvement	Oct 5, 2011	3.00 %	\$ 798,411
Sewer revenue capital loan note:			
Sewer improvement	Sept 15, 2001	3.00 %	\$ 706,000



	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$	-	400,000	275,000	125,000	5,861	-
	260,000	-	40,000	220,000	-	-
\$	260,000	400,000	315,000	345,000	5,861	-
\$	747,000	-	18,000	729,000	22,410	-
\$	189,000	-	25,000	164,000	3,308	-

**CITY OF GLADBROOK**  
**Bond and Note Maturities**  
**June 30, 2015**

Year Ending June 30,	Revenue Note Sewer Improvement		Rural Economic Development Loan		Revenue Note Water Improvement	
	Issued Sept 15, 2001		Issued Nov 22, 2010		Issued Oct 5, 2011	
	Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount
2016	3.00 %	\$ 25,000	0.00 %	\$ 40,000	3.00 %	\$ 18,000
2017	3.00	26,000	0.00	40,000	3.00	19,000
2018	3.00	27,000	0.00	40,000	3.00	19,000
2019	3.00	28,000	0.00	40,000	3.00	20,000
2020	3.00	29,000	0.00	40,000	3.00	21,000
2021	3.00	29,000	0.00	20,000	3.00	21,000
2022		-		-	3.00	22,000
2023		-		-	3.00	23,000
2024		-		-	3.00	24,000
2025		-		-	3.00	24,000
2026		-		-	3.00	25,000
2027		-		-	3.00	26,000
2028		-		-	3.00	27,000
2029		-		-	3.00	28,000
2030		-		-	3.00	29,000
2031		-		-	3.00	30,000
2032		-		-	3.00	30,000
2033		-		-	3.00	31,000
2034		-		-	3.00	32,000
2035		-		-	3.00	34,000
2036		-		-	3.00	35,000
2037		-		-	3.00	36,000
2038		-		-	3.00	37,000
2039		-		-	3.00	38,000
2040		-		-	3.00	39,000
2041		-		-	3.00	41,000
Total		<u>\$ 164,000</u>		<u>\$ 220,000</u>		<u>\$ 729,000</u>

General Obligation Capital Loan Note Issued Oct 31, 2014		
Interest		
Rates	Amount	Total
2.50 %	\$ 62,500	145,500
2.50	62,500	147,500
	-	86,000
	-	88,000
	-	90,000
	-	70,000
	-	22,000
	-	23,000
	-	24,000
	-	24,000
	-	25,000
	-	26,000
	-	27,000
	-	28,000
	-	29,000
	-	30,000
	-	30,000
	-	31,000
	-	32,000
	-	34,000
	-	35,000
	-	36,000
	-	37,000
	-	38,000
	-	39,000
	-	41,000
	<u>\$ 125,000</u>	<u>1,238,000</u>

**CITY OF GLADBROOK**  
**Schedule of Receipts By Source and Disbursements by Function-**  
**All Governmental Funds**  
**For the Last Ten Years**

	2015	2014	2013	2012
<b>Receipts:</b>				
Property tax	\$ 289,208	296,897	272,463	256,259
Tax increment financing	-	-	187	15,574
Other city tax	67,652	66,585	75,207	56,099
Intergovernmental	149,134	148,962	285,907	422,445
Licenses and permits	936	255	210	150
Charges for service	41,030	31,903	31,718	46,405
Use of money and property	1,128	1,783	3,599	3,003
Special assessments	5,626	872	4,733	1,211
Miscellaneous	587,804	59,470	38,445	125,310
<b>Total</b>	<b>\$ 1,142,518</b>	<b>606,727</b>	<b>712,469</b>	<b>926,456</b>
<b>Disbursements:</b>				
Operating:				
Public safety	\$ 135,657	139,557	118,719	141,955
Public works	160,378	100,953	172,028	110,134
Health and social services	1,276	673	-	-
Culture and recreation	50,185	57,042	55,375	46,874
Community and economic development	2,934	16,884	3,037	3,847
General government	72,125	79,415	76,363	80,726
Debt service	320,861	93,725	93,970	74,113
Capital projects	956,781	100,012	203,497	1,175,596
<b>Total</b>	<b>\$ 1,700,197</b>	<b>588,261</b>	<b>722,989</b>	<b>1,633,245</b>

2011	2010	2009	2008	2007	2006
281,095	217,790	224,783	216,960	212,379	194,340
19,402	17,435	17,422	19,773	24,578	23,773
67,317	65,949	65,650	64,704	64,725	52,884
205,496	159,381	149,883	532,978	145,859	125,569
785	515	701	260	410	758
32,610	42,671	40,164	44,710	38,486	36,477
5,864	4,575	11,058	16,357	13,873	11,503
1,059	2,684	573	3,423	1,620	-
46,442	109,300	35,869	25,378	14,375	13,784
660,070	620,300	546,103	924,543	516,305	459,088
126,910	116,411	174,666	172,034	165,539	109,181
110,478	117,911	126,280	159,858	108,031	97,212
-	-	-	-	-	-
48,313	50,112	49,445	51,767	46,052	41,642
8,244	7,353	32,868	23,766	25,718	14,379
70,232	68,726	66,702	56,457	51,588	51,783
304,930	102,860	70,613	70,741	70,819	70,909
183,818	338,345	20,225	375,298	-	-
852,925	801,718	540,799	909,921	467,747	385,106



C E R T I F I E D   ♦   P U B L I C   ♦   A C C O U N T A N T S

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Independent Auditors' Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Gladbrook, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 27, 2015. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Gladbrook's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Gladbrook's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Gladbrook's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Gladbrook's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings to be a material weakness.

### Compliance and Other Matters

As a part of obtaining reasonable assurance about whether the City of Gladbrook's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### City of Gladbrook's Responses to Findings

The City of Gladbrook's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The City of Gladbrook's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Gladbrook during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

***Bowman and Miller, P.C.***

Marshalltown, Iowa  
August 27, 2015

**CITY OF GLADBROOK**  
**Schedule of Findings**  
**Year ended June 30, 2015**

**Part I: Summary of the Independent Auditors' Results:**

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.



**CITY OF GLADBROOK**  
**Schedule of Findings**  
**Year ended June 30, 2015**

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCY:**

II-A-15 Segregation of Duties – One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted one person has control over each of the following areas:

- (1) Cash receipts - collecting, depositing, journalizing, and posting.
- (2) Disbursements - check writing, signing, and reconciling.
- (3) Payroll preparation and distribution.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its operating procedures to obtain the maximum internal control possible under the circumstances. In instances where it is not possible to segregate duties, the City should utilize administrative personnel to provide additional internal control through review of financial transactions and reports.

Response – The City hired a part-time assistant clerk who now processes the water and sewer billings and is involved in reconciling the monthly bank statements. We will continue to review and monitor ways to improve segregation of duties.

Conclusion – Response accepted.

**Part III: Other Findings Related to Required Statutory Reporting:**

III-A-15 Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the capital projects function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget was exceeded due to expenses related to construction of the new fire and ambulance building. When the budget was approved we were not certain when the project would begin. We will monitor this in the future.

Conclusion – Response accepted.

III-B-15 Questionable Disbursements – We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 24, 1979.

# CITY OF GLADBROOK

## Schedule of Findings

### Year ended June 30, 2015

**Part III: Other Findings Related to Required Statutory Reporting (continued):**

III-C-15 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-15 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Roger Luehring, Council Member and Mike Bearden, spouse of the City Clerk Shareholders in Clapsaddle-Garber and Associates	Engineering services	<u>\$23,026</u>
Ben Goos, Council Member and shareholder in Goos Implement, father owns Gladbrook Auto Supply and Gladbrook Tire Center	Repairs and maintenance, supplies	<u>\$ 8,815</u>
Scott Schmidt, Council Member and partner in MLS Transfer	Trucking	<u>\$1,104</u>
Dan DeWitt, Council Member, father owns DeWitt Refrigeration	Repairs and maintenance	<u>\$ 95</u>

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with De Witt Refrigeration and MLS Transfer do not appear to represent a conflict of interest since the total transactions were less than \$1,500 during the fiscal year. The transactions with Clapsaddle-Garber and Associates do not appear to represent a conflict of interest since they were entered into through a competitive selection process in accordance with Chapter 362.5(4) of the Code of Iowa. The transactions with Goos Implement, Gladbrook Auto Supply and Gladbrook Tire Center may represent a conflict of interest as defined in Chapter 331.342 of the Code of Iowa.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

Response – The transactions with Goos Implement, Gladbrook Auto Supply and Gladbrook Tire Center represent purchases for supplies and routine repairs and maintenance on city equipment. As these are locally owned businesses and the only businesses in the city that provide these services the City does not believe these transactions represent a conflict of interest.

Conclusion – Response accepted.

**CITY OF GLADBROOK**  
**Schedule of Findings**  
**Year ended June 30, 2015**

**Part III: Other Findings Related to Required Statutory Reporting (continued):**

III-E-15 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

III-F-15 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

III-G-15 Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

III-H-15 Revenue Notes – The City was in compliance with all applicable revenue note provisions.

## **CITY OF GLADBROOK**

Staff

This audit was performed by:

Bowman and Miller, P.C.  
Certified Public Accountants  
Marshalltown, IA 50158

**Personnel:**

Elizabeth A. Miller, C.P.A., Partner  
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